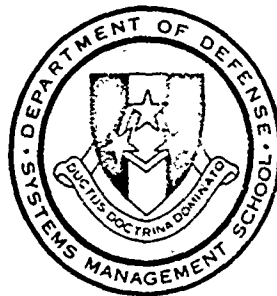


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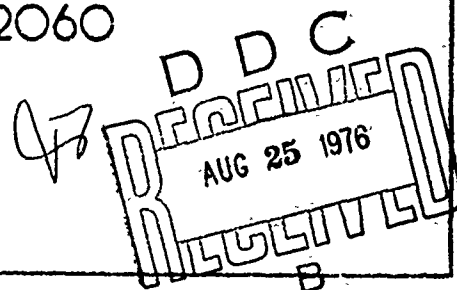
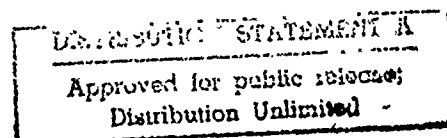
PROGRAM MANAGEMENT COURSE
INDIVIDUAL STUDY PROGRAM

DEFENSE RESOURCE PLANNING IN THE
NAVY: THE CPAM PROCESS
Study Report
PMC 74-2

Robert R. Swistak
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SWISTAK



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NAVY: THE CPAM PROCESS

Study Project Report
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Program Management Course
Class 74-2

by

Robert R. Swistak
GS-13 DNC

November 1974

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This study project report represents the views, conclusions, and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management School or the Department of Defense.

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EXECUTIVE SUMMARY

Only within recent years has the importance of budget constraints been recognized and reflected in the preparation of the Defense Budget submitted to Congress. The purpose of this study report is to examine how the fiscal constraints imposed by the President and Secretary of Defense have affected defense resource planning in the Navy.

The report focuses on the CNO Program Analysis Memoranda Process (CPAM Process) which encompasses the planning phase of the Planning-Programming-Budgeting System (PPBS) in the Navy. The evolution of the CPAM Process is traced; the roles which the OPNAV Sponsors and the Navy Program Planning Office have during the development and execution of the CPAM Process are examined; the events that occur during the CPAM Process are presented; and the implications of the CPAM Process on the Navy Program/Acquisition Manager are discussed.

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LIST OF ACRONYMS

CEB	CNO Executive Board
CNO	Chief of Naval Operations
CPAM	CNO Program Analysis Memorandum
DOD	Department of Defense
DPPG	Defense Policy and Planning Guidance
FY	Fiscal Year
FYDP	Five Year Defense Program
OPNAV	Office of the Chief of Naval Operations
OSD	Office of the Secretary of Defense
POM	Program Objectives Memorandum
PPBS	Planning-Programming-Budgeting System
PPGM	Planning and Programming Guidance Memorandum
SECDEF	Secretary of Defense

CHAPTER I

INTRODUCTION

The Environment

The Defense Budget has been under increasing pressure recently because of current economic conditions and because of political pressure to reduce federal spending. The Pentagon's budget is a particularly lucrative place to look for reductions when the White House and/or Congress seek ways of balancing the Federal Budget. This is because the Defense Budget is a "controllable" component of the Federal Budget where spending is not provided by law on a continuing basis. The "uncontrollable" components are those programs and benefits which are mandated by Congress and which must be supported by appropriations. These include welfare payments, retirement pay for military and civil service people, and farm price supports for example.¹ The controllable components include everything else. Of major concern to Defense Department officials is the fact that in the \$300⁺ Billion National Budget, there is less than \$100 Billion in controllable funds, of which about \$60 Billion is in the Pentagon's budget.²

With the increased emphasis on a balanced budget and tighter constraints on Federal spending, it is very likely that for the next several years Defense Department decision-makers will be constrained to live with budgets not much different than the current defense spending level, in real terms. Double digit inflation has significantly reduced the

purchasing power of appropriated dollars. With the Defense Department each year being forced to absorb an ever increasing amount of inflation, a saturation point is rapidly being reached where no longer will the Pentagon be able to develop, procure and maintain a force formidable enough to carry out our National Security and Foreign Policy Objectives. The fact is that with the impact of inflation, the Pentagon can no longer afford to procure weapons simply because they have demonstrated that they work. Defense Secretary Schlesinger's current weapons systems development and procurement philosophy³ presses for increased selectivity to avoid proliferation of systems that have similar capabilities. Cost effectiveness and operationally compelling capabilities will determine whether or not a system continues beyond operational evaluation. This means that a number of projects now in research and development will never reach production despite successful operational test and evaluation results.

Fiscal Constraints in Defense Resource Planning

Only within recent years has the importance of the budget constraint been recognized and reflected in the preparation of the Defense Budget submitted to Congress. Under President Nixon, Defense Secretary Laird gave the Services the initiative to propose total programs of their own design but within specific fiscal and strategy constraints set by the President and Secretary of Defense.⁴ This was a signif-

icant change from the McNamara system of resource planning of the previous administration. Although there were fiscal constraints under the McNamara system, they weren't considered until the whole Defense Budget was about to be assembled in the Office of the Secretary of Defense (OSD). Each year the Services would propose program objectives and force levels to fully cover all missions in support of the President's strategy guidance. The Service budgets were not fiscally constrained and were usually very ambitious. This left OSD with the responsibility of trimming the budget to a previously known fiscal constraint. When OSD finally completed its reduction of the overall Department of Defense budget, the individual Services usually had too little time to consider alternative programs in order to achieve a more balanced force for the budget with which they were left. The Services were unable to develop reasonably attainable plans at the outset because they could not consider the realistic future budget constraints.

During President Nixon's first term, a study of the total posture of our general purpose and strategic forces was undertaken. This study postulated a range of U.S. military objectives, defined the forces required to meet them, and estimated the total defense budgets needed to provide the forces.⁵ Based on this study, the President decided on a specific defense strategy. The President's decision was translated into planning guidance through two documents

called the Fiscal Guidance Memorandum and the Strategy Guidance Memorandum which were handed down to the Services in 1970 as guidance for their development of their plans for fiscal years 1972 through 1976. The Fiscal Guidance Memorandum told each of the Services how much they could expect to spend in fiscal year FY1972 (the budget year) and in the succeeding four years. Their plans had to fit within these funding limits.

In 1971 and 1972, guidance for the FY 1973-1977 and FY 1974-1978 periods was issued in a document known as Defense Planning and Programming Guidance. This contained both fiscal and strategy guidance, which is now called Policy and Planning Guidance. The Policy and Planning Guidance was much more explicit than the original strategy guidance and gave the Services a much better basis on which to plan their forces. Such force planning, however, was clearly driven by the fiscal guidance. Foreign policy and military strategy were always less concrete goals than keeping defense spending to a specific level.⁶

The Services could now submit the plans that they would prefer at likely attainable budget levels. Further, the Services were in a position to take the initiative in force planning, to make trade-offs and to produce realistic plans. Finally, with actual budget submissions representing a plan that was constrained to a realistic level, more continuity between the plan and the budget was provided.

This policy is being continued by the new Defense Secretary Schlesinger, as is evident from this recent excerpt from his report to Congress on the FY 1975 Defense Budget:

"Deputy Secretary of Defense Clements and I decided to continue the practice of our immediate predecessors and give the military services budget guidance rather than detailed force guidance.

Budget guidance, in our view, together with my general defense planning guidance and the military planning guidance of the Joint Chiefs of Staff encourages the military services to analyze more fully the trade-offs between alternative uses of resources. Naturally this guidance takes into account the needs of DOD as a whole..."

CHAPTER II

EVOLUTION OF THE NAVY PLANNING PROCESS

UNDER FISCAL CONSTRAINTS

The Navy is the most complex service in terms of the variety of missions it has, and it took three planning cycles to approach a workable system that takes advantage of the initiative offered by Defense Secretary Laird. Under the Laird system, and being continued under Schlesinger, Navy planners are faced with the problem of making trade-offs within a constrained budget. To do this, they must not only choose force levels and major procurement programs, but also ship and aircraft operating policies as well as support policies. The way these choices have been made has changed considerably since the first cycle of the new system, when the Program Objective Memorandum (POM) for FY 1972 was developed.⁸

POM-1972 Development

In the development of POM-72, operating and support policy decisions were the indirect result of force level and major program decisions as well as arbitrary appropriation limits set within the Navy. Because funds are managed for most purposes in the DOD by the appropriation categories used by the Congress to approve budgets, rather than by mission or output oriented categories, the Office of the Chief of Naval Operations (OPNAV) has a sponsor who plans for, administers and acts as an advocate for that appropriation. Force levels

and major research and procurement programs were chosen by agreement among these sponsors and approval by the Chief of Naval Operation (CNO). Based on these, the Office of Navy Program Planning chose appropriation totals or "controls". The funds not committed by the selection of major research and procurement programs were available to operate and support the forces, and to sustain other research and procurement programs. There was little, if any, consideration of the relationship among the appropriation constraints, force levels, and major research and procurement programs nor of the resulting levels of operation and support. Appropriation sponsors' discussions about budget allocations and trade-offs were in terms of inputs at the appropriation level. Detailed trade-offs occurred only within appropriations once the "controls" were set. This was true even though fiscal guidance from the Secretary of Defense was, under the new system, in terms of the more output-oriented Fiscal Guidance Categories; and Strategy Guidance had specified missions to be performed. Despite incentives to plan more realistically within a constrained budget, the Navy used appropriations as the basis for allocating its budget. There was little consideration given to the balance among forces, procurements, and readiness.⁹

POM-1973 Development

For POM-73 the Navy responded in a somewhat different fashion. First, the new CNO had given some general direction to the Navy as a result of a review done in his first 60 days

in office. Faced with large cuts from previously approved budget levels, the Office of Navy Program Planning developed combinations of cuts in forces and associated procurement programs, reduced levels of operations, manning, maintenance, and support; and some arbitrary cuts in other areas to achieve the desired reduction in costs. Such cuts were consistent with the CNO's preferences; for example, carriers took the brunt of the cut in order to preserve the anti-submarine warfare(ASW) forces for greater assurance of controlling the seas.¹⁰

The force cuts that were taken considered the interrelationship among forces: when carriers were cut, so were their associated air wings, escorts, and underway replenishment ships. The cost implications of force cuts were estimated by a cost model which priced out the cuts on a basis consistent with current operating and support policies. The broad implications of reductions in force operations and support were also understood through use of the cost model, because the model could show the implications of the cuts in terms of manning levels, aircraft flying rates, number of ships overhauled, number of aircraft reworked, and so on.¹¹

After review and comment by the sponsors, refined sets of alternative cuts were submitted to the CNO. His decisions formed the basis for developing the detailed POM.

Thus, in the PDM-73 cycle the Navy reduced the extent to which arbitrary decisions were made. Force level decisions were less arbitrary than in the past and, in particular, the

decisions considered trade-offs among procurements, force levels and operating and support policies. Nevertheless, time constraints and lack of tools limited the considerations that went into decisions; there was little detailed examination of trade-offs among forces competing for the same task or among alternative ways to support the force structure with bases, logistics and training.¹²

The movement away from arbitrary selection of force levels and major procurements was due largely to the Navy Program Planning Office (OP-090) which took the initiative in developing alternative programs that would satisfy fiscal guidance.¹³

POM-1974 Development

Exhibit 1 summarizes the POM-74 process, which was very different from those of the previous two years. The CNO issued his own planning guidance for POM-74: his interpretation of the guidance from the Secretary of Defense. It set the tone for POM-74. Following that, the CNO Program Analysis Memoranda (CPAMs) were written within the Program Planning Office. CPAMs looked in detail at costs and capabilities of alternative Navy programs. The CPAMs were mission, or output, oriented rather than appropriation, or input, oriented. There were CPAMs covering strategic forces, tactical air forces, support and mobility forces, plus CPAMs on support and manpower programs. The CNO, and his senior advisors, reviewed the alternatives each CPAM presented and he

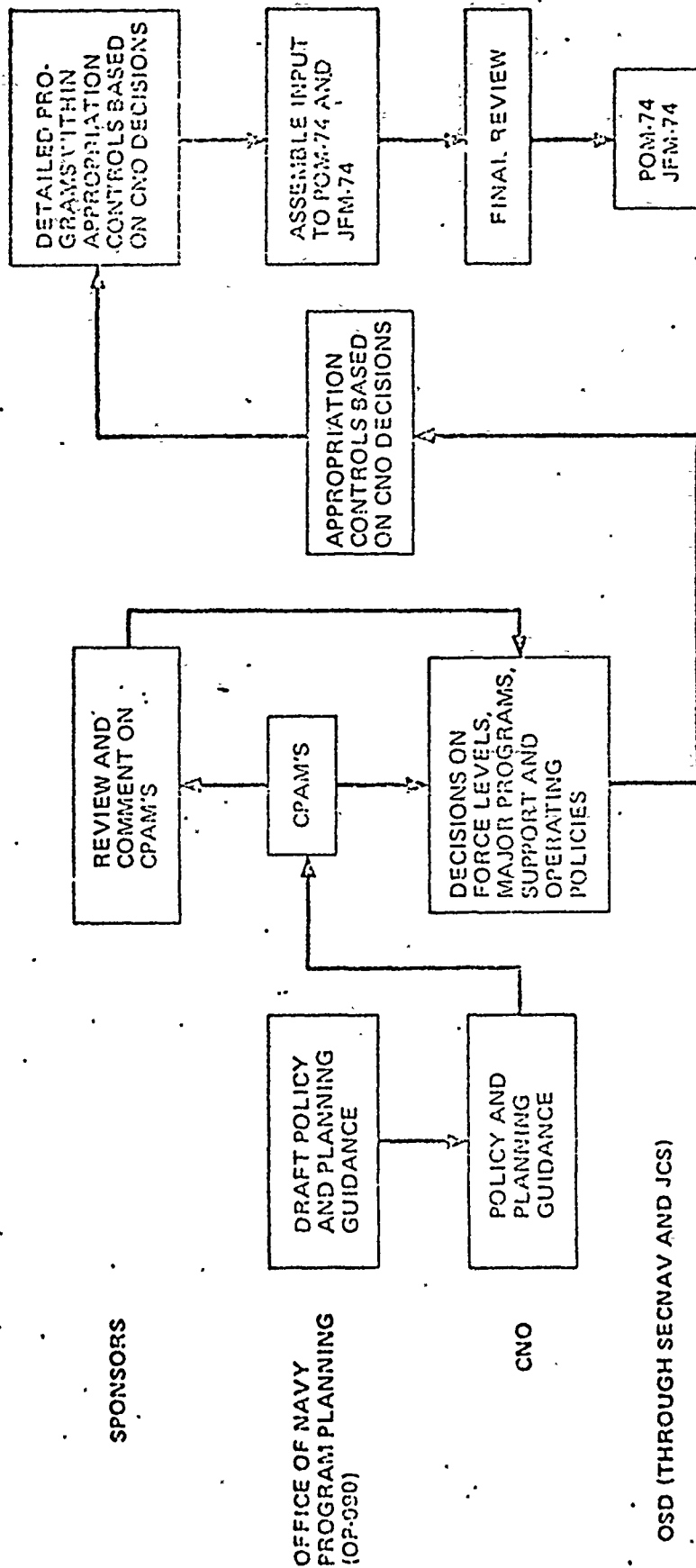


EXHIBIT 1
DEVELOPMENT OF POM-74

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indicated his preferences for the actions he would take in cutting or increasing the budget in each CPAM area.¹⁴

In effect, the CPAMs produced prioritized lists of forces and procurements that could be cut, or support policies that could be changed, with the least impact on the Navy's mission capability. After Fiscal Guidance was received the CNO was presented with a Summary CPAM that contained alternative combinations of Navy program changes he could make, based on his choices in each CPAM area. He was shown items he might cut in order to pay for items he wanted to add. The basis for cutting and adding items in the Summary CPAM was often rather qualitative. The individual CPAMs showed how particular actions compare in terms of providing tactical air or ASW capabilities, but an overall selection among cuts depended on the CNO's views about which Navy mission needed most beefing-up: the ability to defend the sea lines of communication, the ability to project power ashore, or some other mission; how he felt each kind of force contributes to that mission; and how much importance should be attached to bases, training, manning levels, ordnance stocks, and the like.¹⁵

POM-1975 to Present POM-1977 Development

The CPAM has been retained as a valuable planning and decision-making vehicle for the CNO. With the development of POM-76, a refinement to the CPAM, called the Tentative-CPAM (T-CPAM), has evolved which allows the sponsors to

play a more active role earlier in the development of the CPAM.¹⁶ The T-CPAM and CPAM will be discussed in greater detail in Chapter IV of this paper.

CHAPTER III

THE ROLE OF OPNAV SPONSORS AND THE NAVY PROGRAM PLANNING OFFICE

The previous section showed how the CPAM Process has only recently become an integral and important element in the overall Planning, Programming and Budgeting System (PPBS) for the Department of the Navy. Before focusing on the specific events which take place during the CPAM Process, it is important to discuss the roles and responsibilities of the various OPNAV sponsors and the Navy Program Planning Office (OP-090), because they are instrumental in the development and execution of the CPAM. Exhibit 2 presents the current organizational structure of the Office of the Chief of Naval Operations (OPNAV). Program advocacy is vested in the Deputy Chiefs of Naval Operation (DCNO's) and Directors of the Major Staff Offices (DMSO's) in roles of one or more types of mission, force/function and appropriation sponsorships.¹⁷

Mission Sponsors

Mission Sponsors are charged with the overall responsibility for developing the Navy program within their assigned mission areas in conformance with the CNO Program and Fiscal Guidance. Mission Sponsors provide, when required, appraisals regarding readiness and ability to accomplish assigned missions. They ensure that the best possible pro-

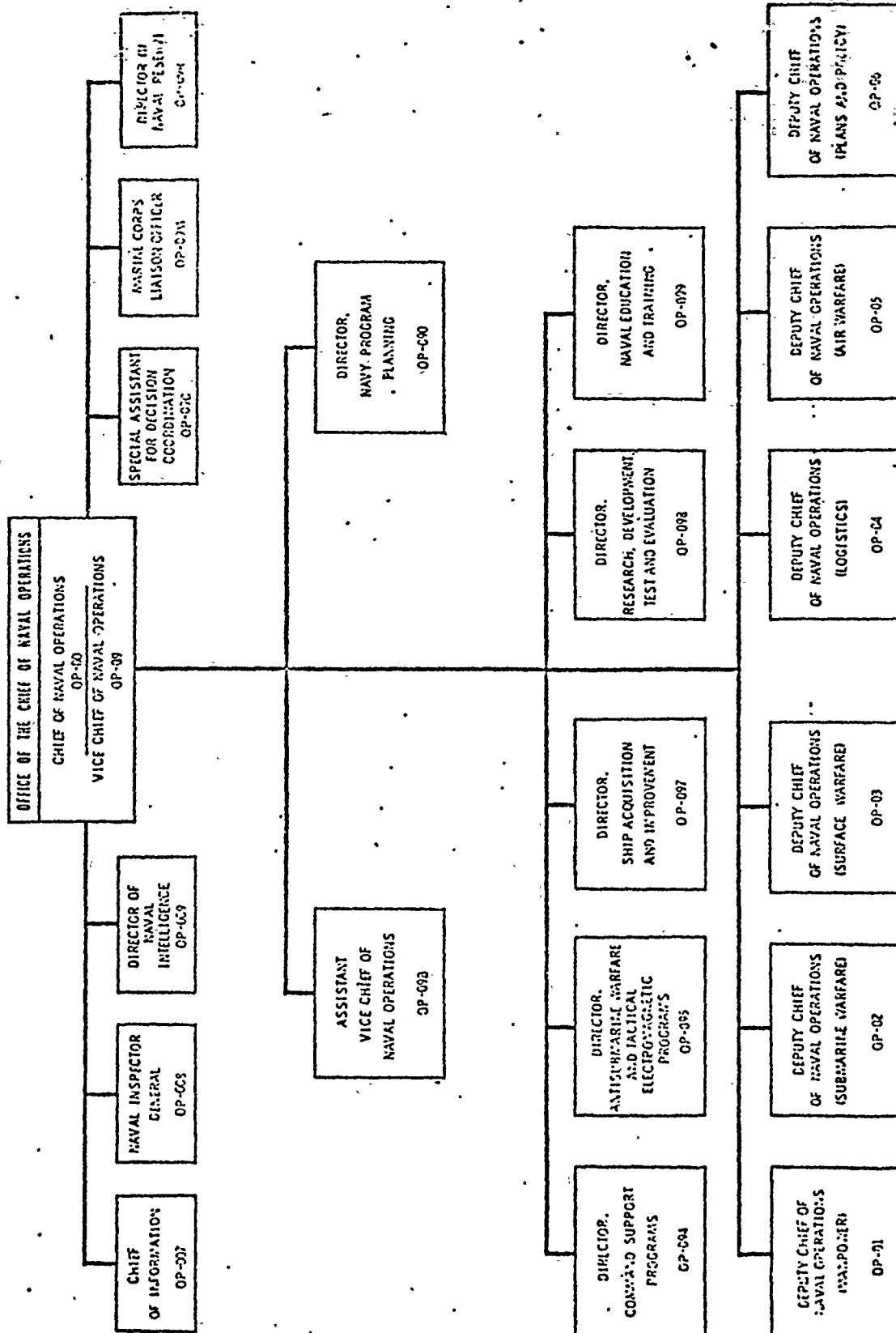


EXHIBIT 2

OPNAV ORGANIZATION

gram balance is achieved and that all aspects of the program are consistent with Navy-wide objectives. In executing this responsibility, they:

- Review and comment of all issue papers appropriate to their mission area.
- Initiate issue papers on matters appropriate for review during the CPAM process.
- Prepare Sponsor Program Priorities (SPPs). (This will be discussed in the next Chapter)
- Develop the program in accordance with CNO Program and Fiscal guidance and provide detailed data to Appropriation Sponsors for review.
- Assist in the preparation of rationale for approved programs.¹⁸

The POM-77 Mission Areas and Sponsors appear in Exhibit 3.

Force/Function Sponsors

The Force/Function Sponsors cover aggregations of inter-related programs or parts of programs found in several mission areas. POM-77 functional areas and sponsors are

<u>FORCE/FUNCTION SPONSORS</u>	<u>SPONSOR</u>
SURFACE WARFARE	OP-03
SUBMARINE WARFARE	OP-02
AIR WARFARE	OP-05
COMMAND SUPPORT	OP-094

The Force/Function Sponsors are responsible for:

- Review and comment on all issue papers appropriate to their respective force/function area.
- Development of Sponsor Program Priorities.
- Maintaining close coordination with Mission Sponsors

NAVY MISSION AREAS

PRIMARY SPONSOR

STRATEGIC	OP-06
GENERAL PURPOSE FORCES	
Sea Control Mission (Overall)*	OP-095
ASW and Fleet Surveillance	OP-095
Fleet Air Defense (Surf. to Air)*	OP-03
Fleet Air Defense (Air to Air)*	OP-05
CV/Air Strike Forces	OP-05
Amphibious	OP-03
UNREP and Support	OP-03
Mobility Forces	OP-04
COMMAND, CONTROL AND COMMUNICATIONS	
Intelligence	OP-009
Fleet Command & Communications	OP-094
CCP	OP-094
GENERAL SUPPORT & LOGISTICS	
Support and Logistics	OP-04
Shore Command	OP-09B
R&D Support	OP-098
Support to Other Nations	OP-06
MANPOWER AND TRAINING	
Training	OP-099
Individual Support	OP-01

* Recent OPNAV organizational changes makes it desirable to designate Sub-Sponsors in the Sea Control Mission Area. However, OP-095 remains the overall Sea Control Mission Sponsor.

EXHIBIT 3

MISSION SPONSOR ASSIGNMENTS

in the development of the POM for their designated areas

- Monitoring the programming of resources assigned to their respective functions and exercising the necessary liaison with Mission Sponsors to ensure the submission of an effective and balanced program within the fiscal guidance. Where appropriate, they will participate in the formulation of requirements, the establishment of priorities and development of alternatives.¹⁹

Navy-wide Support Sponsors

These Sponsors also cover aggregations of interrelated programs or parts of programs found in several mission areas. For POM-77 development, these support areas and sponsors are²⁰

<u>NAVY-WIDE SUPPORT AREA</u>	<u>SPONSOR</u>
MANPOWER	OP-01
LOGISTICS	OP-04
COMMAND/ADMINISTRATION	OP-09B
R&D	OP-098
TRAINING	OP-099
MILITARY ASSISTANCE	OP-06

The responsibilities in their particular support area are very similar to those of the Force/Function Sponsor.

Appropriation Sponsors

Appropriation Sponsors ensure that programs submitted are in balance with fiscal controls. They advise Mission Sponsors regarding the fiscal feasibility of the programs and make recommendations based upon their detailed knowledge

of the budget review process. For POM-77 development these appropriations and their respective sponsors are²¹.

<u>APPROPRIATIONS</u>	<u>SPONSOR</u>
SCN	OP-03
APN	GP-05
OPN*	OP-04
WPN*	OP-03
RDT&E	OP-098
MILCON	OP-04
O&MN*	OP-04
MPN	CHNAVPERs
O&MNR*	OP-09R
MCNR	OP-09R
RPN	OP-09R

* OP-92 acts as appropriation manager.

Director, Navy Program Planning Office (OP-090)

The Director of Navy Program Planning is responsible for centralized supervision and coordination of the Navy Program Planning effort to ensure the integration of planning, programming, budgeting, appraising, and information systems within OPNAV and the management echelons subordinate to the CNO.²²

The OP-090 staff organization has three fundamental characteristics. First is its overall integration of total program responsibility (as contrasted to specific program sponsorship) across the three sequential and interrelated

steps of the PPBS. Second is the total responsibility for all appropriations except RDT&E. Third is its internal division of responsibility among three divisions based on the three phases of the PPBS.²³

The Systems Analysis Division, (OP-96) has the lead for OP-090 during the planning phase of the PPBS, which encompasses the preparation of the CNO Policy and Planning Guidance (CPPG) and the CPAMs. The General Planning and Programming Division (OP-90) has the lead for OP-090 during the programming phase of PPBS during which the POM is prepared. The Fiscal Management Division (OP-92) has the lead in the budget formulation and review phase.²⁴

CHAPTER IV

THE CPAM PROCESS

Exhibit 4 presents a sequencing of events which comprise the current CPAM Process for the development of POM-77. A discussion of these events follows.

Issue Papers (IPs)

The process begins with the development of Issue Papers by OP-96 (in conjunction with the Center for Naval Analyses CNA) addressing subjects within specific mission areas. Specifically, they address potential program imbalances, potential resource savings, alternative mission/program accomplishments, mission/program unfunded systems or functions, and a reassessment of the threat. A massive amount of systems analysis is performed in this intensive examination of the various mission areas.²⁵

Beginning with the development of POM-77, IPs will focus on major programs only. The IP phase spans the August through mid-November time frame each year. Upon receipt of an IP, the Mission and Force/Function sponsors prepare comments for OP-090 on the accuracy of the facts and completeness of the paper as well as the feasibility and impact of the alternatives. The adequacy of the IP as a basis for CNO decision is also addressed.²⁶

EXHIBIT 4
TENTATIVE POM-77 SCHEDULE

<u>DATE</u>	<u>EVENT</u>	<u>LEAD</u>
1974		
Aug-15 Nov	Develop Issue Papers	OP-96/CNA/Spons
3 Sept-15 Nov	Initial Procurement Program Review	Mission Spons/ NAVMAT/SYSCOMS
1 Oct	Issue CPPG	OP-96/90/CNA
7 Oct	Distribute T-CPAMs to sponsors with initial IPs. (IP distribution to be completed by 15 Nov)	OP-96
1 Oct-29 Nov	Comments on IPs	Mission/Force Sponsors
14 Oct	FYDP Update	
21 Oct	Promulgate Resource Allocation Display (RAD-I) based on Oct FYDP Update	OP-90
15 Nov-16 Dec	Preparation and Submission of Sponsor Program Priorities (SPPs)	Mission/Force Sponsors/NAVMAT OP-098/OP-09R
16 Dec	Commence PDRC/review of SPPs	OP-90/Sponsors
16 Dec	Commence final CPAM preparations	OP-96/CNA
16 Dec-10 Jan	SYSCOMS re-cost CPAM procurement alternatives	NAVMAT/SYSCOMS/ Mission/OP-90 Sponsors
1975		
6-10 Jan	OP-92 review of CPAM alternatives for feasibility	OP-92/96
13 Jan	Commence PDRC Review of CPAMs	OP-90/PDRC
13 Jan	Update FYDP to reflect President's FY-76 Budget	OP-90

EXHIBIT 4 Continued

<u>DATE</u>	<u>EVENT</u>	<u>LEAD</u>
15 Jan	Commence CPAM CEB presentations. Tentative order; RDT&E Amphibious Unrep and Mobility Forces Strategic Tactical Air CJ Sea Control General Support & Logistics General Purpose Forces Manpower, Training and Reserve	OP-96
14 Feb	Receive SECDEF PPGM	OSD
20 Feb	Summary CPAM	OP-96
5 Mar	Issue CNO Program and Fiscal Guidance (CPFG) Commence Final Phase of Program Development	OP-90/96

Procurement Program Review

The purpose of this review is to ensure that there is early participation of the Naval Material Command, the Naval Systems Commands, and the Major Program Managers with their cognizant Mission Sponsors regarding a review of major procurement programs. Input consisting of known program shortfalls or desired new developments or procurement initiatives are presented for early consideration in the CPAM development, especially in the development of the Sponsor Program Priority lists. The impact of earlier DSARC decisions on major programs are also considered.²⁷

CNO Policy and Planning Guidance (CPPG)

Early in October the CPPG is issued. The CPPG transmits the essence of the SECDEF's policy and planning guidance (DPPG) as it applies to the Navy, along with the CNO's amplification of this guidance for the development of the new POM. The CPPG also presents the CNO's view of other factors such as changes in the international political scene, the military threat, domestic attitudes and national aspirations which affect the long range direction of the Navy, and describes the ways in which he hopes to meet the SECDEF and the SECNAV guidance while moving toward the best mid-range posture attainable. The CNO's high priority programs are established in the CPPG.²⁸

Tentative CPAM (T-CPAM)

The T-CPAM allows early definition of the issues and provides for greater participation on the part of Mission Sponsors in developing their programs. T-CPAMs are distributed in early October to Sponsors with initial IPs. All relevant information to be used in the decision-making process is consolidated in the T-CPAM for each mission area. When completed, the T-CPAM becomes a file of all significant issues and alternatives within the mission areas. This file provides a comprehensive base from which the CPAMs will be derived. Specifically, the T-CPAMs consist of

- Specific CNO guidance and priorities derived from the CPPG for the mission area.
- All IPs addressing subjects within the mission area.
- Sponsor Program Priorities. This is a prioritized list of increments and decrements prepared by Mission, Force and other Sponsors and designated participants which fully responds to the policy of the CPPG and meets its fiscal guidance. The SSPs are developed after the IP phase and submitted in mid-December. The listings reflect the Sponsor's priorities while giving full consideration to the IP alternatives. 29

Five Year Defense Program (FYDP) Update

In mid-October the FYDP is updated to reflect the budget submissions to OSD. This update becomes the base case for the Sponsor's initial program development during the T-CPAM Process.

POM Development Review Committee (PDRC)

The PDRC reviews each step of the program development

process. T-CPAM data is forwarded to the PDRC. PDRC members form the nucleus of the preview group for each CPAM prior to the CEB presentations. Members of the PDRC are OP-90 (Chairman), OP-96, OP-98B, OP-60, OP-92, MAT-01, and CNA.³⁰

CPAMs

The T-CPAM is the primary data source for the CPAM. The CPAMs give an overview of current Navy programs and possible alternatives thereto. Each CPAM describes the FYDP program, reviews capabilities, identifies major issues and discusses alternatives which should be considered in order to develop the new POM. Additionally, it includes a prioritized list of increments and decrements, essentially a list of programs that require additional funding and those from which funding could be removed. Alternatives are considered in the context of fiscal levels prescribed in the CPPG. After CEB review, the CPAMs form the basis for CNO major program decisions and subsequent detailed POM development. Currently planned CPAMs for POM-77 are ³¹

- STRATEGIC FORCES

- RDT&E

- COMMAND, CONTROL & COMMUNICATIONS (C³)

- GENERAL PURPOSE FORCES. Separate CPAMs are prepared for TACAIR, AMPHIBIOUS, SEA CONTROL, and UNREP & MOBILITY FORCES. These are then combined for the GENERAL PURPOSE FORCES CPAM.

- GENERAL SUPPORT AND LOGISTICS

-MANPOWER, TRAINING AND RESERVES

-SUMMARY CPAM

CNO Executive Board (CEB)

The CPAMs are presented to the CEB in January. The CEB is chaired by the CNO and comprised essentially of all the DCNOs and DMSOs and the Chief of the Naval Material Command. This body makes the major Navy policy and acquisition decisions. The CEB critically reviews each of the CPAM areas separately, resolves any outstanding issues, and may take exception and modify the increment/decrement list. The CEB then draws the cutoff line into the decrement list. The depth of the cut into the decrement list determines how far the increments are to be funded. The goal is not to decrement enough to balance all increments, but rather to provide an affordable overall program within the fiscal constraints.³²

After each of the individual CPAMs have been reviewed, OP-96 then combines all of them into a SUMMARY CPAM which establishes an overall priority listing of programs with increments and decrements.³³

Programming and Planning Guidance Memorandum (PPGM)

In February SECDEF issues the PPGM. The PPGM provides overall guidance for program development and contains four enclosures:³⁴

Defense Policy and Force Planning Guidance

Fiscal Guidance
Materiel Support Planning Guidance
Guidance for POM Preparation

The first enclosure is an update of the earlier DPPG.³⁵

The second enclosure, Fiscal Guidance, specifies the allocation of the resources which may be assumed to be available for the Defense Program. It provides Total Obligational Authority (TOA) limits for each of the DOD Components. Similarly, TOA limits are specified for each in the categories of Strategic Offensive Forces, Intelligence and Security, Support to Other Nations, and total RDT&E.³⁶

The third enclosure, Materiel Support Planning Guidance, ensures, within the Fiscal Guidance constraints, a reasonable balance between combat forces and materiel support capability (particularly for munitions) for U.S. forces and those of selected allies. It further requires an efficient allocation of resources between new procurement and maintenance of existing assets.³⁷

The fourth enclosure, Guidance for POM Preparation, is designed to ensure that the Program Objective Memoranda (POMs) provide an adequate description of the proposed programs and forces, the rationale for proposing these forces and programs, the readiness of those forces and their capabilities to support U.S. strategy, together with an assessment of the risks involved.³⁸

Summary CPAM

When the CNO receives the PPGM, he reviews the Summary CPAM, considering the fiscal guidance and other constraints/guidance provided in the PPGM. The CNO/CEB can then quickly decide on an overall program, based on the previous choices in each CPAM area. The CEB decisions derived from the CPAM process are promulgated by the CNO Program and Fiscal Guidance (CPFG). Mission Sponsors then develop their final programs (POMs) conforming to both the program and fiscal guidance.³⁹

CHAPTER V

SUMMARY AND IMPLICATIONS

FOR NAVY PROGRAM/ACQUISITION MANAGERS

Summary

The Navy began its resource planning under Defense Secretary Laird with a de-centralized organization and a system which concentrated on force levels, major programs and appropriation totals with little regard for their interrelationship and their output by mission. Since then a gradual shift of power from appropriation sponsors to a central planning office, coupled with a more rational reaction to Mr. Laird's system of fixing budget levels before service plans are formalized, has led to significant changes. Now there is CNO guidance early in the cycle. This is followed up by CNO Program Analysis Memoranda, which treat mission and support areas in terms of costs and capabilities. The Guidance and CPAMs originate in OP-090. The CPAMs allow the CNO to consider in advance of OSD guidance what his program choices are. Once the Fiscal Guidance is received he is able to interpret it for the Navy in a more orderly manner. This leads to a more internally consistent POM and to one that better reflects the views of the CNO and his staff about what the Navy should look like, given fiscal constraints.⁴⁰

Implications

The Navy Program/Acquisition Manager may view the CPAM

Process as an adverse experience or a favorable one, depending on the circumstances and the outcome. Regardless of whether his program appears on the increment list or the decrement list, CPAM represents a major hurdle to be overcome if his program is ever to be included in the POM and eventually the budget.

The Program/Acquisition Manager (P/AM) interfaces with the CPAM Process mainly through his Mission and Force/Function Sponsors. Every year these Sponsors will make a critical review of the programs within their areas to select those which will be supported and to what degree. The P/AM must be able to justify his program to his Sponsors and solicit their support. The means of accomplishing this is through IPs, position papers and face-to-face discussions. Throughout the CPAM Process, the P/AM must provide program information to his Sponsors to aid in their response to OP-96/CNA IPs and in development of the mission area T-CPAM and CPAM.⁴¹

Major programs, subject to the DSARC review process, often circumvent much of the CPAM Process. This is because prior to DSARC, the CEB reviews these programs out of the CPAM cycle. However, these programs are certainly not spared any of the critical review and rigorous evaluation by the cognizant Mission Sponsor. But favorable DSARC decisions will then take precedence during the CPAM development, since the CNO/CEB and OSD have given their blessing.⁴²

Although the Program Manager of a major program can

significantly influence the outcome of a CPAM decision because of his personal participation in the CEB and OSD DSARC presentations, the Acquisition Manager of a less than major program does not have this degree of direct influence. He must rely more on the support of his OPNAV Sponsors.

There are many factors which weigh heavily on CPAM decisions that are beyond the control of the P/AM. These include Political/Congressional Environment, Presidential Policy, SECDEF Policy, CNO Policy, Mission Sponsor perspective, budgetary constraints, and changing threat. About the best a P/AM can do under these circumstances is to realize these factors do exist and affect his program and be able to provide the quick and accurate information the Sponsors need to formulate realistic and fair appraisals of the military worth of that particular weapon system with regard to all these factors.

Overall, the P/AM must realize that the CPAM Process is an important planning and decision-making vehicle for the CNO. Since it occurs so early in the PPBS, the P/AM must be able to prepare his program strategy early and thoroughly, respond quickly to IFs which address his program, and gain the firm support of his OPNAV Sponsors early, in order to increase his chances of having a viable program in the POM.

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DEFENSE SYSTEMS MANAGEMENT SCHOOL

STUDY TITLE:

DEFENSE RESOURCE PLANNING IN THE NAVY:
The CPAM Process

STUDY PROJECT GOALS:

To understand the Navy CNO Program Analysis Memorandum (CPAM) Process and the implications it has on a Program/Acquisition Manager.

STUDY REPORT ABSTRACT

Only within recent years has the importance of budget constraints been recognized and reflected in the preparation of the Defense Budget submitted to Congress. The purpose of this study report is to examine how the fiscal constraints imposed by the President and Secretary of Defense have affected defense resource planning in the Navy. The report focuses on the CNO Program Analysis Memorandum (CPAM) Process which encompasses the planning phase of the PPBS in the Navy. It discusses how the CPAM has evolved as a vehicle for making rational force balance decisions in an environment of given fiscal constraints. The report also takes a look at the implications of the CPAM Process on the Program/Acquisition Manager.

KEY WORDS

RESOURCES	ALLOCATION	PPBS	PROGRAM ANALYSIS	FIVE YEAR DEFENSE
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